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April 1982

MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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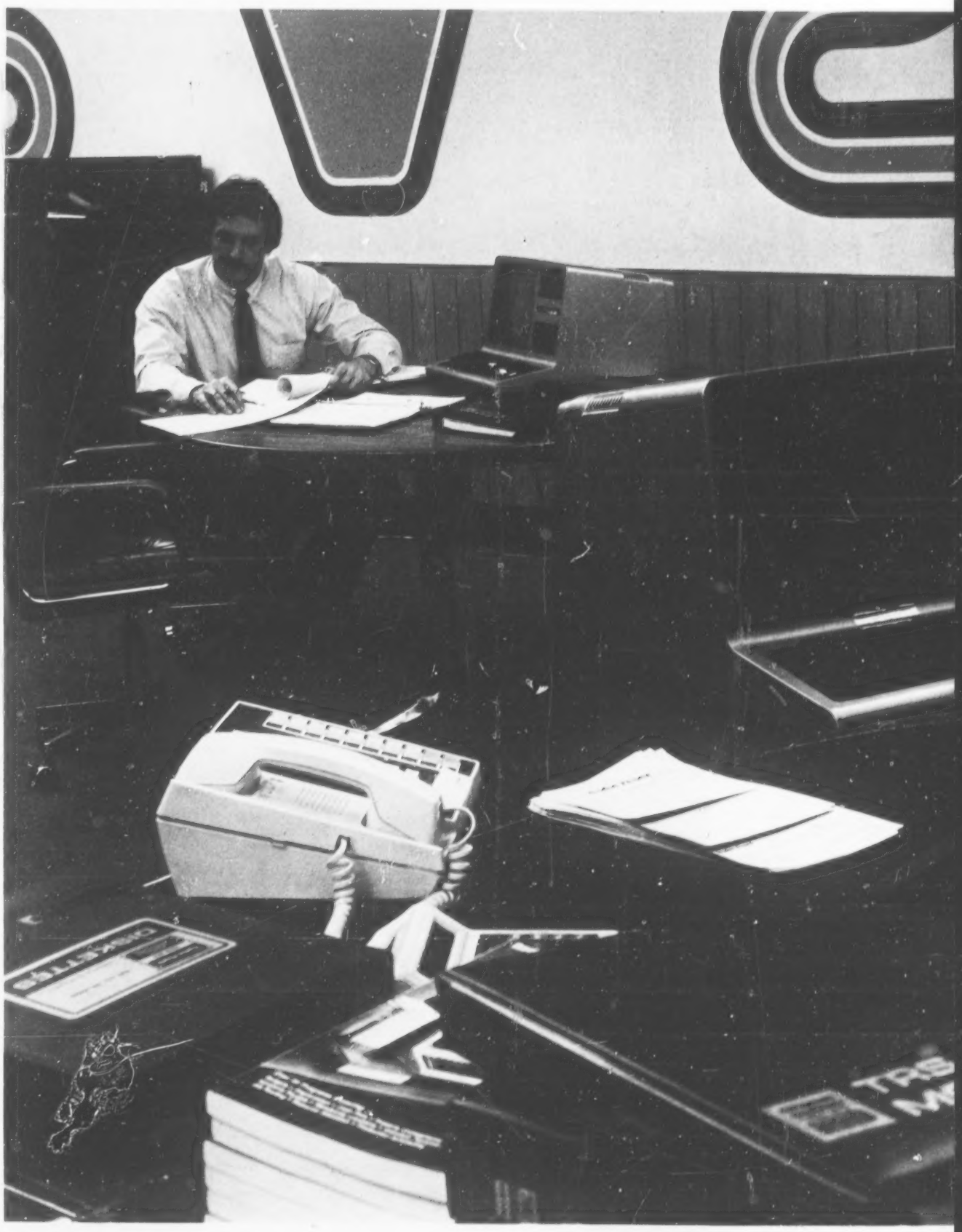

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MAJOR APPLIANCES

Where have you purchased most of these accessories?
6.6% Same store as oven
51.1% Housewares dept. or store
28.9% Mass merchandiser or discounter
2.2% Mail order catalog

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MAJOR APPLIANCES

Schafer says recovery could be slow

White-Westinghouse president sees trend to smaller appliances, but Japanese inroads 'unlikely'

The current recession is turning out to be both longer and more severe than almost anyone would have predicted. And the effect on the appliance industry has been dramatic.

Except for microwave ovens (up about 20 percent) and room air conditioners (up 15 percent) factory shipments for all appliance categories declined in 1981. And shipments in early 1982 have been even worse—all categories are down significantly.

Hal Schafer, president of White-Westinghouse Appliance Co., foresees business might not rebound right away. "Our national economic problems are much deeper than was at first thought. I expect a slower recovery than most people are predicting," he said.

Schafer explained there are three vital industries in the economy that are currently severely depressed and are negatively affecting the economy as a whole: steel, automobiles, and housing. Until

White-Westinghouse's Hal Schafer says appliance rentals will increase.

these industries start working again, he said, the economy as a whole will remain depressed.

"Housing starts fell to 1.086 million units in 1981. The Home Builders Assn. is predicting 1.075 starts in 1982. In 1983 they're predicting a 40-percent increase in starts to 1.515 million units, and 1.8 million in 1984. But something dramatic will have to happen to reach those figures. Interest rates will have to change dramatically. And I just don't think the recovery will happen that quickly."

Schafer told MART that new housing creates a kind of consumer chain. The new home purchaser sells his and/or her old home. Someone purchases the old home and in turn has to sell their home. "One new house sale ends up creating an average of five moves."

The housing market is important to the appliance industry, Schafer emphasized, but it is not the dominant market factor. If each of the one million new homes built in the last year included an average of four new major appliances, the home-building market would have accounted for about 4 million units of the total of over 30 million major appliances.

[Continued on page 34]

CONSUMER SURVEY

Appliance stores still the leader in microwaves

According to MART's third annual microwave oven consumer survey, appliance stores continue to be the leading outlet for sales of microwave ovens.

But over the last two years, the percentage of consumers who say they bought their microwave oven in an appliance store has declined from 56 percent to about 46 percent.

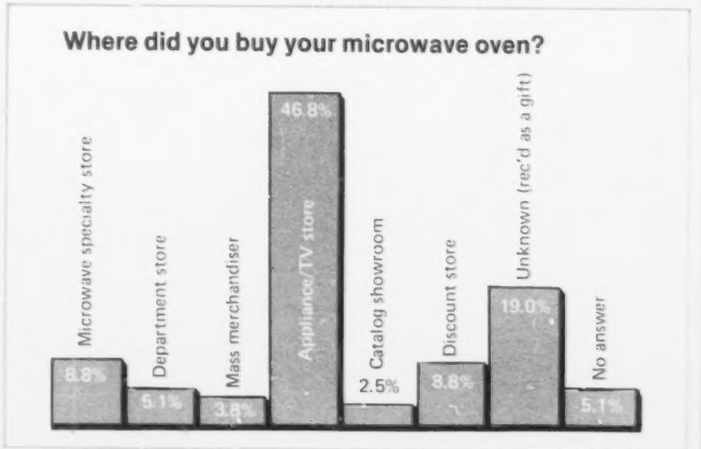
Today's microwave-oven purchaser is a better shopper than in years past. The average shopper today visits more stores, and generally spends less than in previous years.

Also, on the average, microwave-oven customers are somewhat younger and less affluent than in previous years.

While almost 60 percent of the respondents to the survey indicated they had bought microwave accessories of one type or another since the purchase of their oven, even more say they plan to purchase additional accessories in the future.

Market saturation of microwave ovens is climbing toward 25 percent. Consumers purchased more than four million units in 1981, and manufacturers expect at least a 10-percent increase in sales this year.

Nearly 1,000 recent purchasers of microwave ovens responded to MART's third annual consumer survey. For the complete report on how, where, and why they bought their ovens see page 43.



The billion-dollar floor-care industry

Hoover's Hatfield: 'Sell the high-end by promoting the low-end'

Customers buying replacements for vacuum cleaners sold in the industry's best year ever—1973—could give a shot in the arm to vac sales this year and next, despite the economy, according to officials of the Hoover Co.

"About nine million vacs were sold in 1973," Gene Hatfield, Hoover vice president of marketing, explained. "And if you assume that the life of a vacuum cleaner is about nine or 10 years, those nine million models are just about ready to be replaced, and that would definitely help sales this year."

The floor-care industry has been less affected by the recession than other appliance or electric housewares categories, the Hoover officials believe. Last year, according to Senior Vice President Bob Elsaesser, the total industry volume was more than $1 billion; this year, he expects total vacuum sales to be about the same.

"So far this year we've been getting reports from our dealers of good retail sales," he told MART, "although dealers are not stocking as much—they seem to be buying fewer models, but more often."

[Continued on page 40]

Eureka's McDavitt: 'The key to success in floor care is building traffic'

These are hard times in appliance retailing. The American public just is not in the mood to spend money. Sales of big-ticket white goods are down significantly. Declining consumer confidence has stalled sales of traffic appliances as well.

According to Harry McDavitt, vice president marketing/advertising, The Eureka Co., floor-care sales will remain depressed until the overall economy turns around and interest rates fall.

"Merchants are saying that sales will pick up as soon as the weather turns," McDavitt told MART, "But I don't think so. The economy has to get better first."

That is not to say that all floor-care dealers are doing poorly. On the contrary, according to McDavitt. In a time of a faltering economy, an aggressive retailer will maintain sales and increase market share. And the key to maintaining sales, he said, is building store traffic.

"Until the economy turns around, the floor-care retailer has to be even more aggressive than usual. The guy who hangs back now, won't make it. The successful merchants are building traffic—they're creating steam—they're staging big events.

"Big events are the key to building store traffic," McDavit said. "But the promotion has to be a genuine sales event. Today's consumer won't be fooled with bluff events. An effective big event builds traffic and creates peak sales activity."

And what does it take to draw traffic?

[Continued on page 38]

Hand-held vacs like this Sanyo unit are gaining. **Write in 307.**

Specialty vacs outpace the floor-care industry

Most industry estimates put specialty vac sales at about 12 to 15 percent of the total floor-care market. And by all accounts, specialty vacs are the fastest growing segment of the floor-care industry.

Hand-held portable vacuum cleaners and extraction-type steam cleaners have been singled out as the strongest areas in the business. The full report on specialty vacs appears on page 37.

Appliance/TV store still m/w sales leader

In 1981 the microwave oven was a lone bright spot in an otherwise dismal year for appliance sales. Manufacturers' factory shipments increased nearly 20 percent to 4.3 million units last year, and most suppliers are confident that shipments of microwave ovens will climb an additional 10 percent, to 4.75 million units, by the end of this year, despite the economy.

To put these figures into somewhat better perspective, the combined total shipments of all built-in and free-standing gas and electric ranges in 1981 was less than 4 million units. Microwave ovens trail only refrigerators and automatic washers in the appliance industry in unit sales.

More than 20 million homes now own a microwave oven; market saturation is fast approaching 25 percent, or one home in four. And as the market expands, the consumer base broadens.

Who are today's microwave consumers? Where do they shop? Where do they buy? How much do they spend? How did they get interested in microwave cooking? What factors influenced their choice of brand? What do they like about their microwave oven? What do they dislike? How often do they use their microwave oven, and what do they use it for? How many accessories have they bought for use with their microwave oven? Do they plan to buy more accessories? Where do they buy accessories?

The charts and tables presented in this article are based on the results of an extensive consumer survey conducted by MART earlier this year. MART sent three-page questionnaires to nearly 3,000 known recent purchasers of microwave ovens.

Since this is the third annual microwave-oven consumer survey, (see MART March, 1980, and March, 1981), and the questionnaires are similar, it is possible to both draw a picture of today's market, and at the same time, compare today's market with the results of previous surveys.

The survey shows that the appliance/TV store remains far-and-away the leading outlet for microwave oven sales. Nearly half (46 percent) of the survey respondents indicated that they bought their microwave oven in an appliance/TV store, and an additional 8.8 percent made their purchase in a microwave specialty store.

These proportions are remarkably similar to the results from a year ago. But two years ago, 56.5 percent of the survey respondents indicated that they bought their microwave oven in an appliance/TV store, and 8.7 percent at a microwave specialty store. This would seem to indicate that appliance/TV stores have lost some market share.

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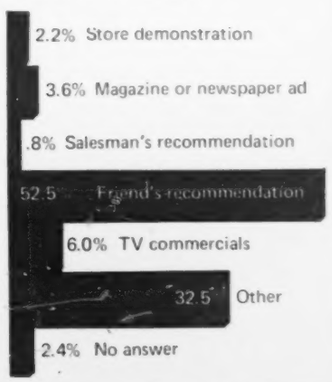
How did you first get interested in microwave cooking?



How many times did you visit this particular store before buying the microwave oven?

0	26.6%
1	22.8
2	22.8
3	7.6
4	2.5
5	1.3
6	1.3
7 or more	3.8
No answer	11.4

How many other stores did you shop in before buying the microwave oven?

0	32.9%
1	2.5
2	22.8
3	12.7
4	10.1
5	5.1
6 or more	3.8
No answer	10.1

Did the store where you bought your microwave oven offer a cooking school?

Yes	35.9%
No	58.6
No answer	5.5

Did you attend the cooking school?

Yes	51.0%
No	47.0
No answer	2.0

Rank your most common uses of the microwave.*

Reheating leftovers	1.24(mean*)
Cooking vegetables	1.63
Heating beverages	1.74
Defrosting	2.02
Cooking main meals	1.75
Heating convenience foods	1.86
Preparing ingredients for cooking	2.36
Baking	3.02

Rank what you like best about your microwave.*

Speed of cooking	1.33(mean*)
Energy savings	2.46
Faster defrosting	3.13
Easier clean up	3.13
Cooler in kitchen	3.97
Fewer pots and pans to wash	4.09

Which describes your reaction to the salesperson?

Knowledgeable about product	32.9%
Pushing one brand over another	2.5
Helpful and friendly	29.5
Used "hard sell"	2.0
Not knowledgeable about product	2.5
Willing to negotiate price	2.1
No salesperson available	15.6
No answer	12.8

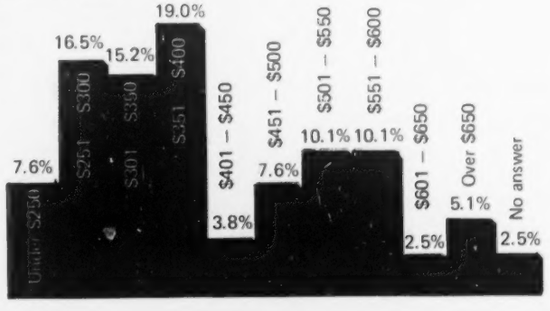
Did the salesperson demonstrate the oven for you at the time of purhase?

Yes	38.4%
No	55.7
No answer	13.9

Rank what factors influenced your brand selection when you purchased your microwave oven.*

Manufacturer's reputation	1.51(mean*)
Price	1.55
Size or oven capacity	1.67
Ease of operation	1.70
Exclusive features	2.22
Appearance or styling	2.24
Friend's recommendation	2.41
Salesperson's recommendation	2.72
Free accessories	3.19

Approximately how much did you pay for your microwave oven?



*Mean ranking: The lower the number, the higher the ranking.

CONSUMER SURVEY

MICROWAVES

[Continued from page 43]

Other types of retail outlets have generally maintained about the same market share. Department stores were down slightly, to 5.1 percent of total sales; mass merchandisers were up slightly, to 4 percent of sales.

Today's microwave-oven customers are shopping more carefully than the customers of past surveys. More than 60 percent of this year's survey respondents indicated that they had visited the store where they eventually made their purchase more than once. Almost 40 percent visited the store more than two times prior to their purchase.

An even stronger indication of the intense level of shopping is that nearly 55 percent of the survey respondents reported that they had shopped in at least two other stores before they bought their microwave oven. Significantly more respondents shopped in three or more stores before buying their microwave than in previous surveys.

Another dramatic indication that consumers are shopping harder than in the past is the price they paid for their microwave ovens. Manufacturers have warned that as the market broadens, the majority of sales will be in well-featured, mid-line models.

As the market has entered into the so-called mass market, the manufacturers' predictions seem to be slightly off. High-end sales have remained strong, but the increased sales activity has been in lower price points, not the mid-line.

In MART's recent survey, almost three out of five (57 percent) of the respondents reported paying $400 or less for their microwave oven; almost one in four (24.1 percent) paid $300 or less. In the 1980 survey, about 44 percent of the respondents paid under $400 for their microwave.

[Continued on page 48]

Considering your knowledge of microwave cooking at this time, would you buy a microwave oven again?

Yes	91.1%
No	5.1
No answer	3.8

Would you buy the same brand of microwave oven again?

Yes	85.0%
No	7.9
No answer	7.1

What percent of your weekly cooking do you do on the microwave oven?

Less than 10%	11.3%
10% - 30%	34.2
31% - 60%	27.8
61% - 80%	15.2
More than 80%	8.9
Use only microwave cooking	2.5
No answer	—

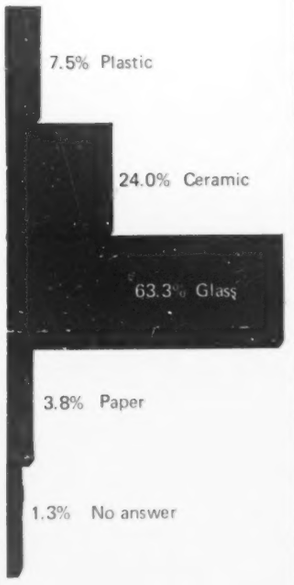
Have you found any disadvantages to microwave cooking?

Yes	74.3%
No	18.1
No answer	7.7

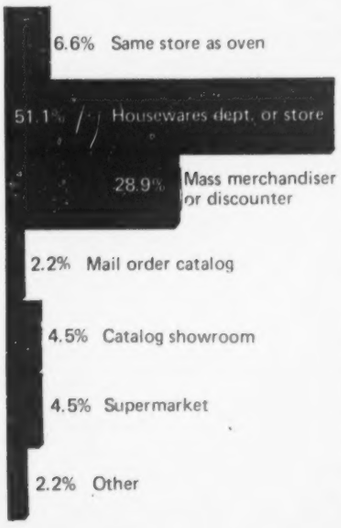
Disadvantages found to microwave cooking:

Can't cook some foods well	45.8%
Can't use metal cookware	38.5
Large quantities take too long	25.0
Appearance of food	25.5
Adapting conventional recipes hard	24.3
Overcooking of food	22.7
Too much stirring/turning necessary	11.7
Controls too complicated	3.2
Other	10.0
No answer	15.7

Do you prefer to use cookware made of:



Where have you purchased most of these accessories?



Did you buy any accessories at the time of your oven purchase?

Yes	34.2%
No	64.6
No answer	1.2

Approximately how much did you spend for your accessories?

Under $20	33.1%
$20 - 40	50.0
$41 - 60	5.2
$61 - 80	3.4
$81 - 100	.6
Over $100	—
No answer	4.6

What accessories did you buy?

Cookbook	33.1%
Cookware	63.0
Utensils	4.0
Other	—
No answer	—

Have you bought additional accessories since your oven purchase?

Yes	56.9%
No	40.0
No answer	3.1

Approximately how much did you spend for your additional accessories:

Under $20	53.3%
$21 - 40	26.7
$41 - 60	13.3
$61 - 80	2.2
$81 - 100	2.2
Over $100	2.2
No answer	—

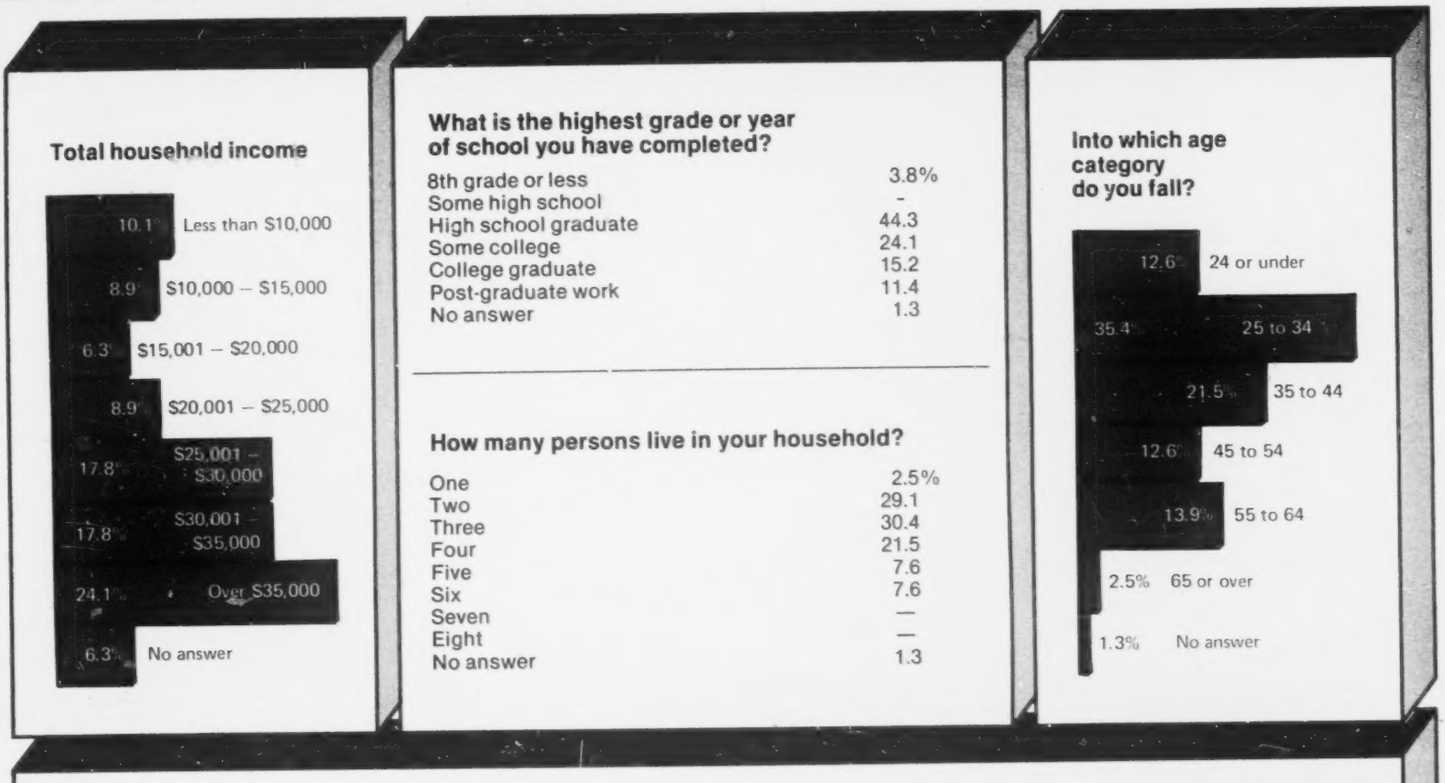
Do you plan to buy any additional microwave accessories?

Yes	69.6%
No	26.5
No answer	3.9

If so, will you most likely buy:

Cookware	89.1%
Cookbook	3.6
Other	5.4
No answer	3.6

CONSUMER SURVEY MICROWAVES



[Continued from page 44]

But on a more positive note, at the other end of the market top-of-the-line sales are more than holding on. In MART's 1982 survey, 27.8 percent of the respondents reported paying $500 or more for their microwave oven. In 1980, about 26 percent of all sales were for $500 or more.

So if the top-end is growing slightly, and the market for lower price points is growing significantly, where are sales dropping off?

Somewhat surprisingly, in our current survey 11 percent of the respondents reported that they paid between $400 and $500 for their microwave oven. In 1980, 27 percent of the consumers reported paying between $400 and $500, and a year ago, in 1981, 26 percent were in the $400-to-$500 price range.

If, as manufacturers say, consumers are moving to mid-line models, the mid-line of the microwave-oven market has shifted to lower price points than in previous years.

As the market expands, and more and more consumers see microwave ovens in use in friends' homes, word-of-mouth advertising remains the single largest influencing factor in how consumers first get interested in microwave cooking. More than half (52.5 percent) of the survey respondents said they first got interested in microwave cooking at the recommendation of a friend.

Significantly fewer respondents to the most recent survey said they first became interested in microwave cooking in response to either television commercials (6 percent) or magazine or newspaper ads (3.6 percent). In previous years, nearly 20 percent of the respondents reported that they initially became interested in microwave cooking because of some form of advertising.

It's no wonder that word-of-mouth advertising is so effective: more than nine out of 10 consumers who own a microwave oven would purchase another one if they had the decision to make over again.

But when it comes to choosing a particular brand of microwave oven, a friend's recommendation is not nearly so important. The most important factor in choosing a microwave-oven brand was the manufacturer's reputation, followed very closely by price. The size or oven capacity was also an important consideration in choosing a brand, as was ease of operation.

A year ago, ease of operation was cited as the most important factor influencing brand selection, and price was not nearly as large a factor.

But as a sign of their general satisfaction with the product, 85 percent of the survey respondents said they would not hesitate to buy the same brand of microwave oven again.

By far the most important advantage of microwave cooking cited by the survey respondents was speed of cooking; energy savings was another important factor.

The most common use for the microwave oven among survey respondents is reheating food. Other common uses are cooking vegetables and heating beverages and convenience foods. Reheating leftovers has been the most common microwave oven use in all three of MART's annual surveys.

A great many consumers use their microwave oven for a considerable amount of their total cooking. More than 55 percent of the survey respondents said they use their microwave oven for 30 percent or more of their total cooking, and more than 25 percent said they do 60 percent or more of their total cooking in the microwave.

Nearly three out of four survey respondents (74.3 percent), however, said they have found some disadvantages to microwave cooking as well. The most frequent complaint is that the microwave oven does not cook some foods well; also, large quantities of food take too long to cook. And many consumers (25.5 percent) noted that they have difficulty adapting conventional recipes to microwave cooking.

Only 38.4 percent of the survey respondents said the salesperson, where they made the purchase, demonstrated the microwave oven for them, and only 35.9 percent said the store where they bought their microwave oven offered a cooking school. Of those consumers who were offered a cooking school, slightly more than half (51.0 percent) attended.

Microwave-oven manufacturers, cookware manufacturers, and aggressive retailers claim the typical microwave-oven owner will purchase a number of microwave accessories, both at the time of the oven purchase and over the next couple of years.

More than one in three respondents (34.3 percent) to the most recent MART survey reported that they purchased accessories at the time of their microwave oven purchase. Most spent $40 or less, and they purchased primarily cookware (63 percent) and cookbooks (33.1 percent).

More than half the respondents (56.9 percent) have bought additional accessories since the purchase of their oven. More than half of these respondents have spent less than $20, but 20 percent have spent more than $40.

Most microwave accessories are purchased in a department store (51.1 percent) or from a mass merchandiser (28.9 percent). Only 6.6 percent of the survey respondents said they purchased additional cookware or accessories at the same store where they purchased their microwave oven.

An overwhelming majority (69.6 percent) of the survey respondents plan to buy additional accessories in the future. Most (89.1 percent) say they will purchase additional cookware; a few plan to buy cookbooks and utensils.

Consumers have definite preferences about their microwave cookware. Nearly two out of three (63.3 percent) prefer glass cookware, 24 percent say they prefer ceramic cookware, and 7.5 percent prefer plastic cookware.

Demographically, the market mix is shifting a little, as would be expected as the market broadens. Respondents to this year's MART survey were somewhat younger than in previous years: nearly half (48 percent) were under 35 years of age. Fewer were college graduates, and although 24 percent of the respondents had family incomes of more than $35,000, 19 percent had incomes of less than $15,000, an increase over the previous years. ■

John Foster
Senior Editor